

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 EB-07 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-07 INT-05

L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-01 FEA-01 PA-01 PRS-01

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FM AMEMBASSY RABAT

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C O N F I D E N T I A L RABAT 6274

E.O. 11652: GDS

TAGS: EINV ENRG EIND MO

SUBJECT: MOROCCANIZATION OF OIL DISTRIBUTION

REF: CASABLANCA 1118

BEGIN SUMMARY: ESSO TEAM SPENT MORE THAN HOUR WITH MINCOM
GHISSASSI MORNING OF DECEMBER 30 AND FOUR HOURS WITH
SUBORDINATES AND SNPP OFFICIALS THAT AFTERNOON WITHOUT FINDING
SOLUTIONS TO UNRESOLVED PROBLEMS REPORTED REFTEL. THOUGH
SOLUTION BELIEVED CLOSE, ESSO REPS RETURNING TO HEADQUARTERS
LEAVING NEXT MOVE TO GOM. LOCAL MANAGER TAKING STEPS TO EASE
WAY FOR GOM TO EXTEND TALKS INFORMALLY OR INTERVENE IN LEAST
DISRUPTIVE MANNER IN HOPES TALKS CAN CONTINUE. MEANTIME,
FRONT PAGE PUBLICITY GIVEN ALL PAPERS TO MOBIL AND TEXACO
SETTLEMENTS, INCLUDING THREE BY FIVE PICTURES OF SIGNING
CEREMONIES. END SUMMARY.

1. AFTER LENGTHY TALK AT AMBASSADOR'S RESIDENCE IN EVENING
FOLLOWING LATEST ROUND ESSO TALKS WITH GOM, WE FRANKLY
PUZZLED AT WHAT IS HOLDING UP AGREEMENT. ESSO REP
ROBINSON STATED GROUPS SO CLOSE ON MONEY THAT "THIS AN
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INSIGNIFICANT ISSUE". TALKED MUCH OF "MAINTAINING

PRINCIPLE", YET SAID MINCOM SEEMED READY TO YIELD ON PREVIOUS INSISTENCE ON WEIGHTED BOARD VOTE AND ASSERTED REMAINING DIFFERENCE ON REPATRIATION REDUCES TO DIFFERENCE BETWEEN MARKET RATE OF INTEREST (WOULD ACCEPT MOROCCAN RATE OF 8 - 9 PERCENT) AND FIVE AND ONE-HALF PERCENT OFFERED BY GOM. SHIRT-CUFF CALCULATION IN AMBASSADOR'S LIVING ROOM INDICATES THIS AMOUNT NO MORE THAN FIFTY THOUSAND DOLLARS A YEAR. ESSO REP ALSO SPOKE OF "SOME FLEXIBILITY" HE COULD SHOW ON CLOSING REMAINING VALUATION GAP (WHICH AS IN MOBIL CASE NOW REDUCES TO HOW THIS YEAR'S PROFITS TO BE DIVIDED). THIS GOOD NEWS SINCE IT FIRST TIME ESSO HAS SHOWN WILLINGNESS TO ACCEPT A FORMULA SETTLEMENT WHICH PROVED KEY IN OTHER CASES. INDEED, ROBINSON SAID AT ONE POINT HE BELIEVED IF THEY HAD BEEN ABLE TO SEE MINCOM AGAIN FOR ANOTHER HOUR IN EVENING TO TRY A "COMPLETE PACKAGE", THEY MIGHT HAVE HAD DEAL. MINISTER UNFORTUNATELY INVOLVED IN VISIT BY SAUDI PLANNING MINISTER NAZIR AND SNPP TYPES SEEMED BOUND BY INSTRUCTIONS TO SEEK SOLUTIONS ON INDIVIDUAL ISSUES, LEAVING LESS THAN ENOUGH FLEXIBILITY TO ACHIEVE OVERALL AGREEMENT. INTERESTINGLY, BOTH SKANE AND ROBINSON SAID SNPP DIRECTOR DOUIEB GAVE IMPRESSION OF "REALLY TRYING" TO GET TOGETHER.

2. ALL SIDES OF COURSE DISAPPOINTED AGREEMENT NOT REACHED. PROBLEM IS NOW WHAT GOM WILL DO ON JANUARY 1. POSSIBILITIES ARE: 1) OUTRIGHT NATIONALIZATION (THIS WOULD BE EXTREME AND BOTH ESSO REPS AND EMBASSY DOUBT STEP WILL BE TAKEN); 2) WITHDRAWAL OF OPERATING PERMIT, LEAVING COMPANY UNABLE TO FILL CONTRACTS OR MAKE SALES (THIS IN SOME WAYS MORE EXTREME THAN NATIONALIZATION SINCE, IF PROLONGED, WOULD KILL COMPANY); 3) INTERVENTION TO MAINTAIN OPERATIONS UNDER GOM DIRECTION (DEPENDING ON TYPE AND DEGREE OF SUPERVISION THIS COULD ACCORDING ESSO REPS BE ACCEPTABLE GIVING TIME TO WORK ON PERMANENT SOLUTION); 4) FORMAL OR INFORMAL EXTENSION OF DEADLINE (WITH ESSO AND AGIP LAST HOLDOUTS, THIS MAY BE EASIER FOR GOM THAN A WEEK AGO). ON OTHER HAND IT MAY APPEAR TO BE REWARDING HOLDOUTS AND IT HARD TO JUDGE WHETHER THIS ADMINISTRATIVELY SIMPLER ROUTE OR INTERVENTION WILL OCCUR.

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3. TO MAKE IT AS EASY FOR GOM TO PURSUE NON-RADICAL ROUTE TOMORROW, ESSO TODAY DEPOSITING HALF OF SHARES IN LOCAL U.S. BANK WITH LETTER OF INSTRUCTION TO TURN THEM OVER TO SNPP WHEN NOTIFIED. COPY THIS LETTER BEING SENT GOM. SKANE ALSO CONTEMPLATING ADVISABILITY SENDING SUPPLEMENTARY NOTE TO GOM REDUCTING OUTSTANDING DIFFERENCES ON THIS YEAR'S PROFIT AND YEARLY INTEREST PAYMENT ON ONE-SEVENTH PROCEEDS OF SALE TO ANNUALIZED AMOUNT, THUS IN EFFECT STRESSING

SMALL REAC DOLLAR/DIRHAM AMOUNT SEPARATING TWO GROUPS.
(WE FEEL THIS WAS EFFECTIVE IN MOBIL CASE.) MINFIN AND
MINCOM MAY WELL FEEL 3 PERCENT INTEREST GAP REPRESENTS
SUBSTANTIAL FIGURE WHEREAS ON AMOUNTS INVOLVED IT
REDUCES TO NO MORE THAN FIFTY THOUSAND A YEAR--A MINIMAL
QUANTITY COMPARED TO NARROWING WHICH HAS TAKEN PLACE ON
VALUATION AND ONE WHICH IS DWARFED BY THE POTENTIAL
DAMAGE TO BILATERAL RELATIONS WHICH COULD OCCUR SHOULD
THIS ONE MOROCCANIZATION CASE REMAIN UNRESOLVED. SKANE
WILL ALSO REQUEST TODAY ORAL INSTRUCTIONS FROM GOM ON
WHETHER ESSO TRUCKS ARE TO OPERATE AS OF JANUARY 1.
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